



**Rt Hon Michael Gove MP**  
Secretary of State

Sanctuary Buildings Great Smith Street Westminster London SW1P 3BT  
tel: 0370 0012345 ministers@education.gsi.gov.uk

Mike Grabiner  
Chairman  
Partnerships for Schools  
33 Greycoat Street  
London  
SW1P 2QF

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*Do Mike,*

## **PARTNERSHIPS FOR SCHOOLS – REVISED REMIT LETTER 2011-12**

Partnerships for Schools (PfS) focuses on implementing a specific range of education policies. PfS's main responsibilities are to make payments to fund the different types of school building projects, provide advice to the Department to support the development of capital policy, deliver Department for Education (DfE) capital programmes and to find accommodation solutions for new, autonomous schools. I am writing to confirm PfS's revised remit and budget for 2011-12.

First, I would like to thank PfS for your continuing hard work in responding to the new challenges in taking forward the Coalition Government's ambition of radically reforming the education system. PfS has responded quickly to support our new priorities, including seeking efficiency savings following my decision to end the Building Schools for the Future (BSF) programme, and restructuring itself to support the expanding Academies and Free Schools programmes. I have heard much positive feedback about the support and service PfS have provided on these key Coalition Government policies. I would also like to thank PfS for the valuable contribution the organisation has made to the work of the James Review, which looked at all Departmental spend on building projects (capital funding), and the important new work that PfS has recently been given to support the Department in implementing a number of the Review's key recommendations. Finally, I also want to thank you for the vital contribution your staff are making to help create the new Education Funding Agency (EFA), an executive agency of the Department, and make it a success from day one.

## **ALB REFORM AND THE TRANSITION TO NEW WAYS OF WORKING**

The Coalition Government is committed to the Arm's Length Body (ALB) Reform Programme as a means of radically increasing the transparency and accountability of all public services. The reform process, which covers all of HM Government's Non-Departmental Public Bodies (NDPBs) as well as other public bodies, is designed to help reinvigorate the public's trust in democracy and also to ensure that the Government operates in a more efficient and business-like way. The programme is helping to ensure that we have the right organisations in place to implement Government policy. The policy will also play a major part in delivering savings over the next four years to help meet the budget deficit.

As you know, in the DfE we are in the process of reducing the number of ALBs and improving accountability by bringing some of the work previously done by ALBs back in to the Department and creating Executive Agencies which are more directly within the Department's control; removing duplication; looking for ways to achieve efficiencies and cost reductions through the sharing of services; and better aligning our ALB sector with the rest of the education system.

It is for these reasons that I announced on 7 June my decision to close PfS on 31 March 2012 and transfer its delivery functions to the Education Funding Agency. The name of the Agency reflects the fact that it will cover all education funding, bringing the allocation and management of revenue funding (for running costs) and capital funding, including the delivery of capital programmes, together in a single agency.

PfS has a significant role to play in creating the new Agency and its success will depend on the skills and knowledge that PfS staff can bring to it. The rest of this financial year will be a period of transition for PfS and I am grateful to you, the Board and the Chief Executive for the continued leadership that you will provide over this period. During this time of transition it is essential that the important work of PfS continues at pace and uninterrupted and I look to your staff to continue to demonstrate flexibility in meeting new responsibilities and to work in partnership with Department officials and the Young People's Learning Agency (YPLA) to ensure the transfer to the EFA is as smooth and seamless as possible.

### **Policy context, aims and aspirations**

The Schools White Paper, *The Importance of Teaching*, sets out a radical reform programme for the schools system, with schools freed from the constraints of central government direction and teachers placed firmly at the heart of school improvement. It offers freedoms to all schools in a way that encourages them to work with each other to improve.

I look to PfS to work with the Department to support these reforms, which are absolutely essential if our children are to get the education they deserve. PfS will play a particularly important role in helping to extend autonomy and freedom for schools in England, helping achieve our ambition that Academy status should be the



norm for all state schools, with schools enjoying direct funding and full independence.

As well as this policy context, PfS is bound by documents which set out your management and financial arrangements in detail, and I will continue to require PfS to operate in accordance with these. I will also look to you and the Board to make sure that the Chief Executive properly discharges her responsibilities, including as PfS's Accounting Officer (answerable to Parliament for money spent), and that the rest of the PfS executive is effective in managing the business of PfS.

PfS has played a key role in supporting Sebastian James's Review of all education capital expenditure and is now supporting the Department in implementing some of the Review's key recommendations. My initial response on 19 July, accepted the majority of its recommendations, subject to consultation. The results of the consultation are likely to have an impact on your remit, and I will return to this later in the year, but I am keen for PfS to move quickly to support the Department in implementing a number of the Review's key recommendations. This important new work for PfS is set out in more detail below.

### **Business planning, main activities and priorities**

Your business plan sets out more detail about how you propose to take forward your 2011-12 remit. As part of the business planning process, you have agreed key performance measures and targets for 2011-12, together with a summary of the risks which PfS will manage. PfS should refer to these in its next annual report and include an account of performance against this year's targets.

In addition to the annual report, the Department will require regular reports of performance in relation to the targets and measures that have been agreed. We will also require regular reports on a range of additional management information, both to enable detailed financial monitoring and overall programme management, and to inform future policy development. Some of the reporting will be a continuation of current requirements e.g. your monthly reporting on spend against your agreed budget. Other reports will be new requirements, as the Coalition Government seeks to ensure that public bodies carry out efficiency savings. The role of management information systems in supporting this is covered later in this letter.

The remit of PfS includes implementation of the capital programmes set out below, and responsibility for maintaining accurate management information, managing running costs (revenue) and capital budgets, and making payments in respect of those programmes. It also includes the provision of any other information and services that the Department requires from PfS to discharge its responsibilities to Ministers, Parliament and the public.

#### *Priority School Building Programme*

On 19 July I launched a new privately-financed school building programme to

address the schools in the worst condition wherever they are in the country. The programme is open to all local authorities (LAs), schools and sixth form colleges. The programme will cover between 100 and 300 schools, building up over the remainder of this Parliament – a mix of primary, secondary and special schools as well as sixth form colleges and provision for pupils outside mainstream and special school (alternative provision). I expect the first of these rebuilt schools to open in September 2014. The scheme must be rigorously managed by PfS to ensure we learn the lessons from the previous privately-financed building scheme, the Private Finance Initiative (PFI).

For the remainder of 2011-12, I expect PfS to manage the registration and applications process for this new programme and to prepare the first group of projects for procurement, working closely with the Central Capital Unit in the Department to:

- carry out the review and prioritisation of applications, according to the published criteria (available on the PfS website - [www.partnershipsforschools.org.uk/programmes/PSBP.html](http://www.partnershipsforschools.org.uk/programmes/PSBP.html));
- develop the Strategic Outline Case to help ensure that the programme proceeds smoothly through the Major Projects Review Group (MPRG) assessment process; and
- develop the Outline Business Case(s) for individual grouped/batched projects and ensure they are approved by HM Treasury. We do not know how many projects there will be until early next year, but for the purpose of planning resources, you should assume five batched projects, which each include four to 12 schools; and
- prepare to start procurement of the first group of batched projects on behalf of the Secretary of State in April 2012 (with the Secretary of State being the procuring agent and contractual counter-party).

The support that PfS provides to continuing building projects that use the historic PFI scheme is covered later in this remit letter.

#### *Review of Education Capital (Capital Review) – implementing the recommendations*

I have broadly accepted the majority of the recommendations from Sebastian James's review of education capital, subject to a thorough consultation on the detail of the recommendations and their implementation. The consultation ran from 19 July to 11 October, and I expect that the results will have an impact on PfS in the months leading up to the transition of your work to the EFA. However, meanwhile I expect PfS to support the Department to take forward new work on the following recommendations:

- collect data on the condition of the buildings used by schools and other establishments in England, so that funding can be targeted at buildings most in need of repair. This will involve ensuring that the necessary IT systems are in place to store and make use of this information and that the collection of data is completed by autumn 2013. This work is additional to the school



building maintenance survey that you recently conducted with LAs;

- support the Department in revising the school premises regulations and guidance so that we have a single, clear set of regulations that would apply to all schools. I expect to launch a consultation on the revised regulations in the autumn;
- support the Department in developing a suite of standardised designs for school buildings that will help create greater efficiencies in building design and construction. This will involve setting up systems to ensure that these designs are continuously improved by collecting and using the lessons learned from current building projects. This will include using post-occupancy evaluation, to ensure that the experiences of people who use buildings are taken into account; and
- support the Department in developing proposals for clear guidance on legal responsibilities in relation to the maintenance of school buildings, and how revenue funding can be used to pay for maintenance work. This work will involve a review of the existing guidance on maintenance requirements.

#### *Continuing BSF projects*

Although I decided to bring the BSF programme to an end, there are a large number of projects which will continue. PfS will continue to remain focused on delivering these projects and will continue to work with LAs and others involved in the process to ensure that these projects are delivered on time and at minimum cost.

PfS will continue to work with LAs to help them manage ongoing contractual arrangements; manage business case approvals; and to deal with any Private Finance Initiative (PFI) contract or other issues. I will look to PfS to ensure LAs deliver the savings already agreed on the remaining BSF projects, working with LAs and the Department to monitor progress with achieving them, highlighting any potential issues early and, where appropriate, proposing and implementing plans for reducing delays.

#### *Free Schools, University Technical Colleges (UTCs), Studio Schools and University Training Schools (UTS)<sup>1</sup>*

These programmes introduced by the Coalition Government are of increasing importance to my ambitious education reform programme, and will involve a growing commitment from PfS and the EFA over the coming years.

Free Schools are all-ability, state-funded new schools set up in response to local demand for a greater variety of high quality schools.

University Technical Colleges integrate academic study with practical learning, offering 14-19 year olds high-level practical and academic education, teaching core GCSEs alongside technical qualifications.

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<sup>1</sup> Wherever reference is made to "Free Schools" throughout this letter, please read "Free Schools (including mainstream, Alternative Provision, Special and 16-19 Free Schools), UTCs, Studio Schools and UTSs".

Studio Schools are an innovative new type of school for 14-19 year olds. They are small schools - typically for around 300 pupils - teaching mainstream qualifications through project-based learning.

University Training Schools are new schools run by a university which combine the teaching of children, the training and development of teachers and teacher-trainees, and academic research.

PfS will continue to provide a wide range of support to the Free Schools policy as it expands rapidly to meet significant parental demand, building on the success of achieving the opening of 24 Free Schools in 2011. I expect PfS to continue to meet the specific demands of the programme and expect that you will support a further, substantially larger, number of 2012 openers. This includes supporting individual Free School Trusts to enter into contracts for the purchase of freehold and leasehold interests in land and buildings and, exceptionally, PfS entering into such contracts for the purposes of transferring the assets to Trusts once they have been established. In addition I would like you to investigate the scope to use government buildings for Free Schools, working with the Department.

Your budget from the Department will include a capital budget for such purposes.

Because this is a relatively new policy area with many unknown factors, PfS will refer to the Department for prior approval for those projects where:

- the acquisition of an asset or a liability could appear on PfS's or the Department's accounts; or
- the proposed funding would appear to be considered particularly novel, risky or contentious.

In such cases, we will want to make sure that the Department's Accounting Officer is protected, and that, where necessary, HM Treasury approval is sought.

You have had discussions with officials from the Department and HM Treasury about demonstrating value for money and you should ensure that an agreed process is followed when buying, leasing, and/or refurbishing accommodation for new Free Schools. It will be important that an official from the Department is involved in any final approval of such expenditure and that Treasury officials are involved in approving any contentious or novel schemes.

In relation to UTCs, PfS will continue to support the Government's intention to have at least 24 such schools established within this Parliament, working with the Department and the Baker Dearing Trust, including on exploring innovative ways of financing the programme. For Studio Schools, PfS will continue to work with DfE officials and the Studio Schools Partnership Trust.

Please keep separate accounting arrangements for both the capital and revenue expenditure on Free Schools, UTCs, Studio Schools and UTs (including administrative costs), as this information will help to inform how we proceed with this



policy in future years.

I have set out in an annex attached to this letter a detailed breakdown of the scope of PfS's role in the establishment of Free Schools.

#### *Academies – National Framework and BSF*

PfS will continue to work with DfE officials, LAs, Academy sponsors and their project managers, building contractors and others to agree the total amount of capital funding for projects, including any additional building costs because of site-specific issues, and advise on procurement of new accommodation for Academies. PfS will continue to participate in sign-off arrangements at key procurement stages, for example Outline Business Case, where the overall scheme is agreed on paper, and Final Business Case, where contracts can be signed to start construction. Please focus on the remaining 70 Academies, ensuring that the majority of feasibility studies are agreed close to the end of the financial year, and that the majority of schemes are in procurement and delivered as quickly as possible beyond this point. Scrutiny arrangements will remain in place reflecting the main themes of the Capital Review.

Last year PfS took over responsibility (along with a number of posts) for providing ICT advice to Academies. I would like this work to continue in 2011-12, to include continuing to support sponsored Academies that have capital funding including money for ICT, and also providing advice to those sponsored Academies that do not have capital funding but whose ICT is rated as red or amber-red by DfE education advisers. I note that you have already made efficiency savings by combining the role of these advisers with your existing team which currently provides ICT advice to Free School proposers and DfE officials.

#### *Academies – Converters*

PfS will continue to provide advice to providers/sponsors of Academies on procurement, capital investment, ICT, legal and commercial issues.

#### *Academies – capital maintenance funding*

As you will be aware, I decided before last Christmas that the Department should hold a sum of capital funding to meet the building maintenance needs of Academies. This fund is intended for Academies with significant maintenance needs that cannot be met from the money we give them, as we do all schools, to fund routine maintenance. This is particularly important for newer sponsored Academies and those schools converting with buildings in a poor state of repair, recognising that many older sponsored Academies would generally have, or have in prospect, newer or refurbished buildings requiring less attention. I would like PfS to manage this in 2011-12, working with the YPLA and in accordance with the allocation process agreed by the Department. This will include distributing funding to those Academies that were successful in the recent bidding round and leading the process of allocating the remaining funding. It will also include putting in place light-touch programme management arrangements, as agreed by the Department, to provide assurance that the approved projects have been delivered in line with the terms and

conditions of grant, and managing any project delays, in consultation with the Department, to maximize the impact of the funding.

#### *Payment of other capital grants to Local Authorities*

On 19 July, thanks to efficiencies and savings we have identified, including in BSF projects, I announced an additional £500 million to fund more new school places in those areas of greatest need. I am grateful for the work PfS has been doing to help the Department develop an effective allocations process. Funds will be allocated this financial year to the LAs with the greatest demographic pressures so they can provide enough places, especially at primary schools, in September 2012.

Details of those allocations will be finalised in the autumn. This is additional to the money LAs will receive for the continuing BSF projects.

PfS will continue to:

- make formula-based payments (e.g. a set amount per pupil) of capital grant to Voluntary Aided (VA) schools and to the maintaining LAs of other maintained schools for the schools to use on locally-decided capital projects;
- make formula-based payments of capital grant to LAs for Basic Need and capital maintenance to use on locally-decided capital projects;
- notify LAs, schools and others of their total capital allocations, where funding has been agreed, and reporting on projects involving private finance;
- monitor any developing delays and/or funding pressures and manage programmes flexibly to ensure full spend; to meet new ministerial priorities or requests where possible, and provide information to the Department on the overall capital spending. PfS will also continue to provide guidance to funding recipients and other stakeholders on schools capital programmes;
- manage and make PFI revenue payments to LAs and provide advice on individual projects to DfE and local stakeholders; and to provide the Department with data on payments; and
- monitor and make payments of certain non-schools capital grant, for example in support of the Secure Children's Homes capital programme. These homes are licensed by the Secretary of State and are where young people can be placed for the protection of themselves or others ('welfare placements'). They can also be placed there under criminal justice legislation ('YJB placements').

#### *Voluntary-Aided (VA) Capital Programme, including VA PFI payments*

VA schools are maintained schools and usually have a religious character. These schools are eligible for capital funding from the Department. These schools are paid on a similar basis to other categories of school, but the governing body must usually pay at least 10% of the costs of capital work. Responsibility for VA school premises is shared between the school's governing body and the LA. In simple terms, the LA has responsibility for the playing fields and the governing body are liable for all other



capital expenditure. PfS will continue to be responsible for the VA capital programme, specifically:

- making capital grant payments to dioceses and other religious bodies, governing bodies and Trustees of VA schools;
- providing advice on legislation on VA matters, for instance asset disposal, VAT liability and insurance matters;
- running the VA Capital Consultative group and advising on resultant issues;
- managing proposals from LAs for planned Locally Coordinated Voluntary Aided (VA) Programme (LCVAP) spend across their areas. The purpose of LCVAP is the modernisation of VA school buildings, to create new pupil places and to improve physical access to VA schools;
- making formula based maintenance payments (known as 'devolved formula capital') to schools; and
- making LCVAP payments to dioceses and other religious bodies, governing bodies and Trustees of VA schools.

#### *Private Finance*

As well as your important work in support of the new privately-financed Priority School Building Programme, PfS will continue to support building projects that include significant private sector investment using the historic PFI model. Your responsibilities will include:

- scrutiny of PFI business cases consistent with HM Treasury guidance;
- ensuring that all PFI deals have arrangements in place for the effective operation and management of the contracts before approval of their final business cases and contracts are signed;
- providing a service to existing school PFI projects to assist with resolving contractual disputes and variations to contract; and
- advising Ministers on developments in PFI strategy and requirements.

#### *Contract management in support of DfE programmes*

PfS will continue to manage framework and other contracts to support the delivery of capital projects, including Free Schools, Academies and Secure Children's Homes. Specifically:

- the Contractors Framework for single procurement projects;
- the Property Adviser Framework contracts;
- the contract for the Department's professional architectural advisers on the Secure Children's Home sector, working closely with the Department's policy team on all aspects of the advisers' work; and
- technical (surveyors, architects etc) and legal framework contracts.

### *School Building Design Guidance*

In addition to supporting the Department in revising the school premises regulations and guidance (set out above), PfS will continue to provide advice and guidance on all aspects of school building design, regulations and construction cost matters to ministers as well as to LAs and other stakeholders.

### *Pupil Place Planning*

The effective use of accurate data on local area need for new pupil places to meet changes in population has for a number of years been an area requiring increased attention. This is a fact recognised by the James Review of education capital. PfS has already taken steps to enhance its existing pupil place planning function, and input should continue to be provided to the Department, including advice on data collection and funding methodology, as well as input into the Free Schools process.

PfS will continue to collect LA pupil forecasts as part of the annual School Capacity survey and use this information to calculate the number of surplus places each school has or whether the school is over capacity.

PfS will continue to ensure the data is passed annually to DfE statisticians for it to use in Basic Need allocations and formal publication. There will also be ad-hoc requests for other data received as part of the survey (number on roll, school capacity etc), for example, from the Office of the Schools Adjudicator and to support Ministers and officials in handling Parliamentary business.

For Free Schools, PfS currently provides the Department with a statistical analysis of school capacity data as part of the assessment process for a new Free School application, to establish the need for additional school places in a local area. This is as well as providing local intelligence on evidence of demand for pupil places and Local Authority plans for meeting the projected growth in pupil numbers. With the move to establish the EFA and the need to ensure our systems can support the increasing number of Free School applications, the statistical analysis function will in future be managed by data analysts in the Department's policy directorates. PfS will work closely with the Department to ensure a smooth handover of this work to a timescale that best supports the Free Schools application process.

### *School Assets*

PfS will continue to administer applications, and provide evidence for DfE officials to make recommendations to the Secretary of State on the disposal of assets where special statutory requirements apply. These include: school premises (regulations and relaxations from their requirements); disposal of playing fields; education Compulsory Purchase Orders; Education Endowment Orders, where, for example, church schools may seek to sell school land and then reinvest the proceeds for the benefit of other church schools; determinations as to land disposal; and closure or discontinuance of a Foundation, Trust or Voluntary school. PfS will also continue to provide advice on existing and proposed legislation on school assets, including



disposal, and on related policy and delivery matters.

PfS will continue to work closely with officials in the Department's School Choice, Organisation and Fair Access Division to ensure the effective, coordinated handling of land disposal applications that are within the scope of both Section 77 of the School Standards and Framework Act 1998 (school playing fields) and Schedule 35A of the Education Act 1996 that protects land, including playing fields, used by a community school at any time within the last 8 years, where the land is needed for an Academy (the legal term that also includes Free Schools, Studio Schools and UTCs).

#### *Financial management and Accounting Officer responsibilities*

PfS must continue to make accurate and timely capital payments to all of the local bodies it deals with, LAs, dioceses and other religious bodies, governing bodies and Trustees of VA schools.

It is important that the Department receives from PfS regular, timely and accurate financial reports, so that we can be assured that the resources delegated to PfS are being spent properly and prudently, and can provide the necessary assurances to HM Treasury. PfS should apply appropriate financial controls and procedures, including those set out in HM Treasury's *Managing Public Money and Financial Reporting and Expenditure Manual*.

PfS must continue to ensure that robust risk management systems are in place. The Chief Executive is responsible to the DfE Permanent Secretary, as Principal Accounting Officers, and to Parliament for the assets and funds distributed by PfS.

Specific duties include obtaining Section 151 Officer returns on LA capital grant expenditure. The Section 151 person is a qualified officer in an LA who is responsible for ensuring the proper administration of the LA's financial affairs.

#### *Information Management*

PfS must ensure that it has comprehensive and robust data on all of the programmes within its remit. PfS will support DfE officials by providing up-to-date, accurate management information on the schools capital budgets, allocations and spend, and including individual BSF, Academy and Free School procurements. For 2011-12 PfS has been provided with a budget to take forward the development of improved management information systems and I ask you to make sure that PfS liaises with officials in the Department to ensure that developments support known policy requirements.

#### *Supporting Parliamentary and Departmental Business*

PfS has always supported Ministers and officials in handling Parliamentary and Departmental business. The level of this support has increased dramatically over recent years as PfS has been given responsibility for more and more of the Department's capital programmes. This includes contributions to policy development,

correspondence, Parliamentary Questions, providing expertise and knowledge of LAs and capital projects, as well as briefing covering capital issues. It also includes any other information held by PfS that DfE officials require to discharge their responsibilities to Ministers, Parliament and the public.

We expect PfS to provide this support, paying particular attention to:

- timeliness – bearing in mind the deadlines given for each piece of work;
- clarity, including absence of jargon, and accuracy and clarity of the language;
- the extent to which text relates to the needs and concerns of the person or organisation with which DfE is communicating;
- the accessibility and accuracy of supporting data; and
- the extent to which text meets the needs of the Minister or official who has to use the supplied material.

The section above on Information Management is directly relevant in enabling PfS to provide a high-quality service in this regard.

## **Resources**

The amount of money to be paid to PfS (known as grant-in-aid) in any financial year is decided having regard to the PfS remit and the available resources within the Department's spending review settlement. PfS should keep within its agreed budget and apply financial controls and procedures, including those set out in HM Treasury's *Managing Public Money and Financial Reporting and Expenditure Manual*.

For the financial year 2011-12, the Department will provide a net funding requirement as grant-in-aid up to a limit of **£5.31685 billion**.

### *Administrative budgets*

**A revenue budget of £19.45m**, which includes the following budget headings:

- a staffing budget of £12.6m to meet the costs of staff employed directly in support of the capital programmes covered by this remit;
- a contracts budget of £1.5m to meet costs associated with: procuring technical, legal and financial advice in support of Free School procurement; PFI support; establishing new Framework contracts in support of DfE programmes; and other contracts, grants and other costs incurred in the direct support of programme delivery;
- an overheads budget of £4.2m to meet costs associated with: travel and subsistence; information and advice; staff restructuring and terms and conditions harmonisation; and costs for staff unallocated to specific remit tasks; and



- an estates budget of £2.4m.

This administrative budget is based on the work PfS has done to realise efficiencies following the decision to end the BSF programme, whilst expanding your remit to support the substantial number of new Free Schools that will need PfS's support. The budget has been scrutinised by DfE Non-Executive Board Members at the start of the year and again in September, and I am content that it represents good value for money.

#### *Programme budgets*

**A revenue budget of £608.4m**, consisting of:

- £580m to cover payments to LAs of the revenue support grant for operational PFI projects;
- £16m to cover payments to LAs of the revenue support grant for PFI projects in the BSF pipeline which will become operational during the year; and
- £12.4m for Voluntary Aided schools with operational PFI contracts.

**A capital budget of £4.689bn**

Budgets may be revised during the year to match Ministers' priorities. Budget changes will be discussed with PfS and will be set out in amendments to your remit.

PfS will be responsible both for managing and administering capital funds in line with the objectives and procedures that have been established for each programme, and for managing the financial risks inherent in large capital programmes, for example the risk of committing to support more projects than the available resources justify and over or under-spending.

It is important for the Department to receive from PfS regular, timely and accurate financial reports so that we can all be assured that the resources delegated to PfS are being spent properly and prudently, and also that we can provide the necessary assurances to HM Treasury.

## **TRANSPARENCY**

The Government remains committed to greater transparency so that the public can hold politicians and public bodies to account. As part of this you are already publishing information on spending on salaries, organisational costs and services you buy. In line with all Government departments and ALBs you have already published individual salary information for your senior staff earning over £120,000, along with organisation charts to demonstrate the groups of people your senior staff are responsible for, and the costs of these groups.

We expect you to continue to publish this data and to continue to co-operate with transparency requests, ensuring data is submitted to deadline and in the required format.

## **EFFICIENCY CONTROLS REMAIN IN PLACE**

The Efficiency Reform Group was established by the Cabinet Office in 2010. It has brought together expertise from across Government: from different parts of Cabinet Office, HM Treasury, and the (now closed) Office of Government Commerce. It aims to make Government more efficient (by reducing operational overheads to give taxpayers better value and allow resources to be focused on key priorities); and to reform radically the way public services are provided (to ensure they meet rising public expectations, improving transparency and accountability and shifting power to people and creating the Big Society).

The Efficiency Reform Group has introduced a series of financial and management controls to make sure that only essential recruitment and procurement activity is undertaken by Government Departments and organisations like PfS which are funded by Government. These controls include:

- a freeze on all external recruitment;
- Treasury approval for appointments with salary packages which total more than the Prime Minister's salary of £142,500;
- a freeze on new advertising and spending on marketing;
- a freeze on new contracts and contract extensions; and changes to ICT projects of over £1 million and a review of all existing ICT projects;
- a freeze on any new spending on consultancy services from outside bodies;
- a ban on new property acquisitions, property leases and lease extensions; and
- all other procurement subject to stringent Value For Money appraisal and reporting of all spend to HM Treasury on a monthly basis.

In certain specific circumstances exemptions can be sought by your Chief Executive. Exemptions need to be cleared by the Department, HM Treasury or the Cabinet Office depending on the nature of the exemption. The details of the various exemption processes were sent to your organisation in July 2010.

## **NEW TREATMENT OF ADMINISTRATION BUDGETS**

You will be aware that there are changes to the administration budget for Department's ALBs, which include PfS starting in the 2011-12 financial year. Most



significantly, the administration budgets for ALBs are being met from the Department's own overall administration allocation.

Administration budgets cover the costs of all activities not related to direct frontline service provision or in support of frontline service delivery. The Department has provided PfS with detailed guidance on the types of spending which are considered as administrative activity; for PfS this will include items such as staff salaries, pensions, accommodation and office services (including stationery, telephone charges and computer maintenance). It is important that PfS works closely with the Department's Sponsorship and Finance teams to make sure this guidance is followed.

## **GOVERNANCE AND RISK**

It is vital that PfS has in place robust processes which can help it identify difficulties which might hamper delivery, promotes high performance and safeguards propriety and regularity. We expect to see both robust processes for spotting such difficulties early and dealing with them effectively so that service delivery is maintained. PfS should also continue to work with the Department to make sure there are appropriate external checks on the work it delivers, as required by the Permanent Secretary. I expect PfS to raise immediately with the Department any potential problems related to delivery including any arising from organisations with which you are working.

## **REDUCING BUREAUCRACY AND RED TAPE IN SCHOOLS**

In addition we will require PfS to support the Coalition Government's drive to reduce bureaucracy in schools by streamlining communications, removing central prescription and minimising data collections.

Handwritten signature in dark ink, appearing to read 'V - RS' with a flourish below it.

MICHAEL GOVE

## **ANNEX – PfS role in supporting the establishment of Free Schools, University Technical Colleges (UTCs), Studio Schools and University Training Schools (UTS)<sup>2</sup>**

### **Role prior to Ministers' decision that a Free School proposal should proceed to Pre Opening stage**

#### Premises

Once commissioned by Departmental officials, you will undertake a site visit of the proposer's preferred site option and provide a site report that shall inform the application's assessment process. This role will include;

- providing an assessment of the proposed site suitability, availability and value for money, overall cost including cost per pupil, and indicate likely timescales and procurement options; and
- undertaking site searches to provide alternative sites for projects, as and when required by the Department. This will be carried out on a limited basis on direct instruction.

Once individual site visits have been completed, you will provide Departmental officials with;

- an assessment of the capital and revenue implications (including initial estimates) of any site options outlined by proposers, including ICT costs and value for money (VfM);
- procurement options (including the use of PfS and contracts that have already been set up in other parts of Government);
- the timing implications of any site options (i.e. impact on possible opening dates), including key milestones where possible;
- likely costs, issues and risks of proposed site options; and
- where appropriate identification of suitable Government/public buildings which may be used for, or shared with, a Free School. This includes analysing information on the public sector register, the vacant space database, any other register and liaising with other Government Departments.

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<sup>2</sup> Wherever reference is made to "Free Schools" throughout this letter, please read "Free Schools (including mainstream, Alternative Provision, Special and 16-19 Free Schools), UTCs, Studio Schools and UTSS".



## Evidence of demand

PfS will work with the Department's data analysts, who now lead on providing pupil place information, local demographic data and an assessment of the local educational standards for every Free School application, to provide:

- confirmation of any similar (existing or proposed) provision in local area; and
- any other relevant PfS intelligence or knowledge of LA views on/contact with proposers.

## **Role after Ministers' decision that a Free School proposal should proceed to pre opening stage**

Support to school proposers, as required, on:

- site options - i.e. what is possible and practicable for both permanent and temporary sites;
- site search to provide alternative sites, including Government/publicly owned buildings, as necessary;
- the suitability and sufficiency of any new or alternative site options;
- development of an ICT strategy and (if necessary) educational vision that matches site options;
- the capital /revenue implications (including detailed cost estimates) of any site options under consideration, including ICT costs;
- procurement options (including the use of PfS and contracts that have already been set up in other parts of Government);
- the legal and commercial aspects of premises and ICT acquisition and development (e.g. leasing arrangements), where required (and in conjunction with DfE colleagues - e.g. the Legal Advisers Office - as necessary);
- the timing implications of any site options (i.e. impact on possible opening dates), including key milestones where possible;
- any issues and risks associated with site and ICT options;
- an appraisal of the premises and ICT options, including cost/benefit analysis, on the basis of which VfM can be demonstrated; and
- their analysis of demographic demand in the local area (through the provision of national and local data and intelligence).

### Support to DfE on programme management and pre opening stage work:

- attendance and reporting at a pre opening meeting with proposers;
- ongoing input and advice at DfE Free School meetings;
- reports and advice on the progress of the premises aspects of proposals and business cases;
- advice on the estimated costs, including forward projections of costs, as required;
- advice to DfE on the premises/site/ICT costs, including a VfM assessment of options taking into account life cycle costs; and
- advice to DfE, to support the finalising of Funding Agreements, this support may cover:
  - confirmation of any similar (existing or proposed) provision in local area; and
  - any other relevant PfS intelligence or knowledge including LA views on the impact of opening a new school in that locality.

### **Wider strategic support for the Free Schools Programme**

In addition to the roles described above that focus on supporting individual Free School projects, PfS will continue to work with DfE and HM Treasury officials on the wider strategic work in developing the Free School programme. This will include:

- Work to ensure overall costs and unit costs for Free Schools are continually reviewed and managed to ensure value for money for the DfE;
- As the UTC programme rolls out, CCU will commission advice from PfS in support of developing and delivering any privately financed or other novel or complex procurements that are appropriate within the overall policy context. If taken forward, it will also be particularly important for PfS to be able to support any UTCs involved in such schemes through the pre-opening phase;
- In support of the Free Schools programme, PfS will be commissioned in order to provide the expertise and advice to CCU to support the policy development of potential innovative financing models for Free Schools, including ways to further reduce Free School capital costs and if required assisting with taking forward the testing and implementation of any new policy models deemed appropriate by Government; and
- Working across the public sector to help identify suitable Government/public sector building solutions that support the Free Schools programme.

<sup>2</sup> Wherever reference is made to "Free Schools" throughout this letter, please read "Free Schools (including mainstream, Alternative Provision, Special and 16-19 Free Schools), UTCs, Studio Schools and UTSS".